

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**August 15, 2011**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(June 2011 Reporting Period)**

## CalPERS Asset Allocation – June 30, 2011

### General Market Commentary

Greece skirted full-blown disaster, thanks in part to a new austerity plan and the willingness of some of its creditor nations (namely Germany) to accept longer maturities on its government bonds. Although it remains to be seen if the Greek nation can maintain its commitment to a stark austerity program amidst violent street protests and intense civil unrest, the relatively positive news out of the European Union helped stave off what would have been even larger losses during the equity markets' second consecutive down month. The anticipated June 30<sup>th</sup> ending of the Fed's second round of quantitative easing (QE2) precipitated a fall in the equity markets, as the on-going program had made the potential gain from holding stocks more rewarding than the very low (near zero) interest to be earned holding short-term bonds. Despite the end of the program, the FOMC revised its 2011 GDP estimate some 40 points downward (in the range of 2.7-2.9% growth) and left the Federal Funds rate unchanged.

### Domestic and International Equities

The S&P 500 index return was down -1.7% for the month. Small-cap stocks, as measured by the Wilshire U.S. Small Cap Index, declined further and were down -2.1% for the month. In the large-cap space, growth stocks outperformed value stocks (in that they lost less) during June, with returns of -1.6% for growth and -1.9% for value (as measured by the Wilshire U.S. Large Growth and Value indexes). International equities were also down, as the MSCI EAFE Index returned -1.3% in dollar terms (and -1.2% in local currency). Emerging markets were down at -1.5% in dollar terms (as measured by the MSCI EM Index) during the month.

### Domestic and International Fixed Income

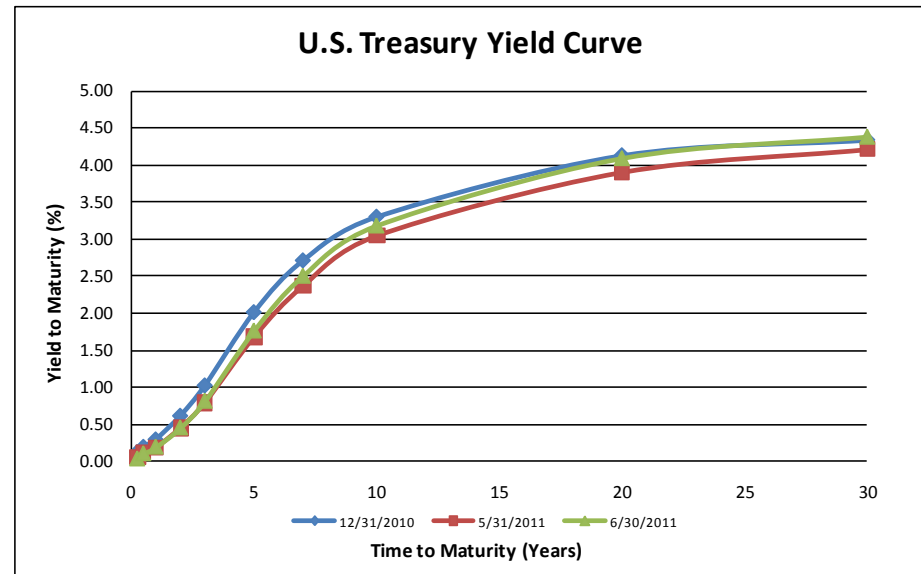
The Barclays Capital U.S. Aggregate Bond Index returned -0.3% for June, trailing the U.S. Treasury return of -0.1% (as measured by BC Intermediate Treasury Index). The BC Long Term Treasury Index returned -1.9%, while yields on 30-year Treasury bonds rose to 4.4% from 4.2% the prior month. U.S. TIPS were positive for the month, returning 0.8% (BC U.S. TIPS Index) during June. The high yield bond market lost 1.0% during the month, as measured by the Merrill Lynch High Yield Master II Index. International fixed income markets in aggregate returned 0.4% (as measured by the Citigroup World Government Bond Index ex US), while the dollar was up against the Pound, but down against the Euro and the Yen.

### Real Estate

Public real estate (as measured by the Wilshire US RESI Index) was down with a return of -3.4% in June. The NCREIF Index of Real Estate Properties returned 3.4% for the quarter ended March 2011 (June 30<sup>th</sup> return not yet available).

### Absolute Return Strategies

Absolute Return Strategies (HFRI Fund of Funds Index) was down -1.2% in June, but returned 6.6% for the 12 months ended June 2011.



MARKET INDICATORS	12/31/2010	Direction	05/31/2011	Direction	06/30/2011
1Month LIBOR (fixed in \$)	0.26%	↓	0.19%	-	0.19%
Federal Funds	0.00%-0.25%	-	0.00%-0.25%	-	0.00%-0.25%
10Y Treasury Note Yield	3.30%	↓	3.05%	↑	3.18%
30Y Treasury Bond Yield	4.34%	↓	4.22%	↑	4.38%
Wilshire 5000 Comp	13,290.00	↑	14,287.48	↑	14,023.08
S&P 500	1,257.64	↑	1,345.20	↓	1,320.64
NASDAQ Composite	2,652.87	↑	2,835.30	↓	2,773.52
FTSE 100 Index	5,899.90	↑	5,990.00	↓	5,945.70
Nikkei 225 Index	10,228.92	↓	9,693.73	↑	9,816.09
Yen/\$ (Dollar Strength)	81.11	↑	81.240	↓	80.760
Euro/\$ (Dollar Strength)	0.745	↓	0.696	↓	0.690
GBP/\$ (Dollar Strength)	0.639	↓	0.608	↑	0.623
Crude Oil per Barrel	\$89.84	↑	\$102.70	↓	\$95.42
Gold (\$/oz Daily Spot)	\$1,405.50	↑	\$1,536.50	↓	\$1,505.50
GS Commodities TR Index	4,943.41	↑	5,361.71	↓	5,077.25

## CalPERS Asset Allocation – June 30, 2011

### Summary

- Total Fund Market Value was \$237.5 Billion
- Total Fund Book Value was \$200.2 Billion
- As of June 30, 2011, all asset classes were within their Strategic Target Policy Ranges.

### Book to Market Value Comparison

	Book Value <sup>2</sup> (\$ Billion)	Market Value <sup>3</sup> (\$ Billion)	Difference (Market – Book) (\$ Billion)
Domestic Equity <sup>1</sup>	\$39.6	\$57.6	\$18.0
International Equity	\$57.8	\$65.7	\$7.9
<b>Global Equity</b>	<b>\$97.3</b>	<b>\$123.3</b>	<b>\$26.0</b>
Domestic Fixed Income	\$34.8	\$46.6	\$11.8
International Fixed Income	\$3.3	\$3.6	\$0.2
<b>Global Fixed Income</b>	<b>\$38.3</b>	<b>\$50.2</b>	<b>\$11.9</b>
<b>AIM</b>	<b>\$32.0</b>	<b>\$33.6</b>	<b>\$1.6</b>
<b>Real Estate</b>	<b>\$21.5</b>	<b>\$18.6</b>	<b>\$-2.8</b>
<b>Inflation Linked</b>	<b>\$7.3</b>	<b>\$8.1</b>	<b>\$0.8</b>
<b>Cash Equivalents</b>	<b>\$3.8</b>	<b>\$3.7</b>	<b>\$-0.1</b>
<b>Total Fund</b>	<b>\$200.2</b>	<b>\$237.5</b>	<b>\$37.3</b>

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=\$3.2 million, Total Market Value=\$3.2 million.

<sup>2</sup> Total value of assets at cost minus liabilities.

<sup>3</sup> Total value of assets at market.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Top 20 Company Holdings

Global Equity & Global Fixed Income <sup>2</sup>

Market Values as of 6/30/2011 <sup>1</sup>

		Global Equity <sup>3</sup>			Global Fixed <sup>4</sup> Income	Total	
	Company Name	Internally Managed	Externally Managed	Total Equity	Total Fixed Income	Market Value	% of Total Fund
1	EXXON MOBIL CORP	\$1039.3	\$129.6	\$1168.9	\$0.0	\$1168.9	0.49%
2	APPLE INC	\$722.6	\$131.4	\$854.0	\$0.0	\$854.0	0.36%
3	GENERAL ELECTRIC CO	\$510.5	\$68.7	\$579.2	\$269.8	\$849.0	0.36%
4	AT&T INC	\$503.4	\$46.0	\$549.4	\$183.4	\$732.8	0.31%
5	JPMORGAN CHASE & CO	\$405.6	\$65.6	\$471.2	\$175.4	\$646.6	0.27%
6	NESTLE SA REG	\$583.9	\$53.7	\$637.6	\$0.0	\$637.6	0.27%
7	MICROSOFT CORP	\$551.6	\$82.0	\$633.6	\$0.0	\$633.6	0.27%
8	HSBC HOLDINGS PLC	\$469.0	\$24.2	\$493.2	\$139.6	\$632.8	0.27%
9	CHEVRON CORP	\$532.1	\$55.4	\$587.6	\$0.0	\$587.6	0.25%
10	WELLS FARGO & CO	\$370.0	\$53.3	\$423.4	\$150.1	\$573.5	0.24%
11	INTL BUSINESS MACHINES CORP	\$522.8	\$44.0	\$566.8	\$0.0	\$566.8	0.24%
12	PFIZER INC	\$419.9	\$53.2	\$473.1	\$63.3	\$536.4	0.23%
13	CITIGROUP INC	\$312.3	\$43.5	\$355.8	\$167.3	\$523.0	0.22%
14	BANK OF AMERICA CORP	\$290.0	\$47.0	\$337.1	\$183.5	\$520.6	0.22%
15	JOHNSON & JOHNSON	\$457.0	\$56.1	\$513.1	\$0.0	\$513.1	0.22%
16	VODAFONE GROUP PLC	\$380.9	\$63.3	\$444.2	\$56.4	\$500.6	0.21%
17	PROCTER & GAMBLE CO	\$446.1	\$47.8	\$494.0	\$0.0	\$494.0	0.21%
18	WAL MART STORES INC	\$367.8	\$12.8	\$380.6	\$95.3	\$475.9	0.20%
19	BHP BILLITON LTD	\$426.0	\$18.3	\$444.3	\$0.0	\$444.3	0.19%
20	BP PLC	\$422.2	\$21.5	\$443.7	\$0.0	\$443.7	0.19%

<sup>1</sup> In millions

<sup>2</sup> Only includes Global Equity & Fixed Income assets custodied with master custodian

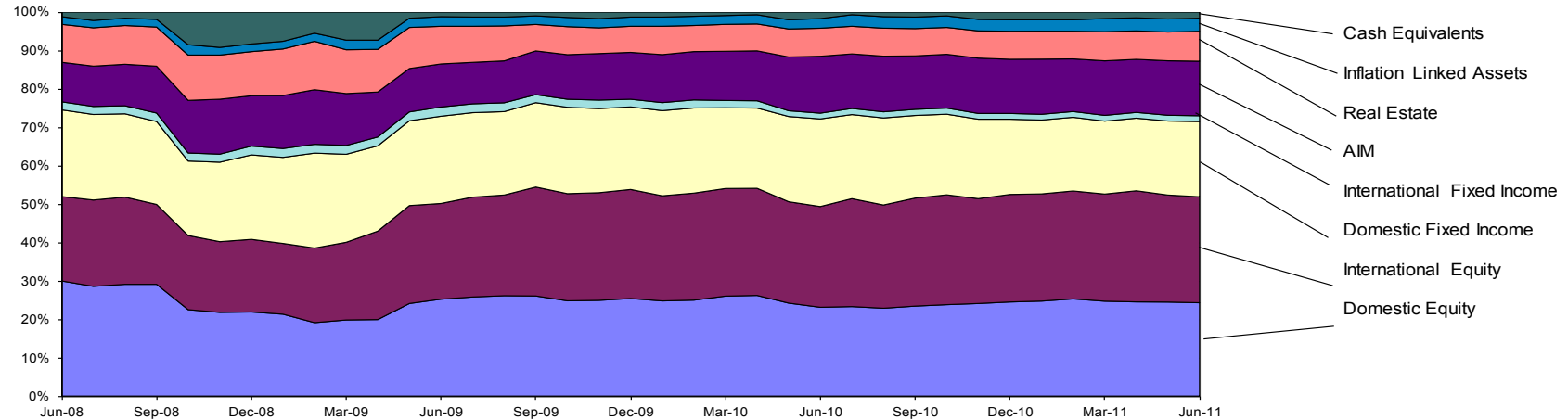
<sup>3</sup> Source for Global Equity values: State Street Bank

<sup>4</sup> Source for Global Fixed Income values: Blackrock Solutions

# CalPERS

## Asset Allocation as of June 30, 2011

Total Fund Market Value: **\$237,509,894,324**



	Global Equity <sup>2</sup>	Domestic Equity <sup>2</sup>	International Equity <sup>2</sup>	Global Fixed	Domestic Fixed	International Fixed	AIM	Real Estate	Inflation Linked	Cash Equivalents <sup>2</sup>	Total Fund
<b>Strategic Target Range %</b>	<b>44-54%</b>			<b>15-25%</b>			<b>9-19%</b>	<b>5-15%</b>	<b>2-5%</b>	<b>0-5%</b>	
Strategic Target %	49.0%	24.5%	24.5%	20.0%	18.0%	2.0%	14.0%	10.0%	5.0%	2.0%	N/A
Actual Investment %	51.9%	24.3%	27.6%	21.1%	19.6%	1.5%	14.2%	7.8%	3.4%	1.6%	N/A
Variance % (Strategic vs. Actual)	2.9%	(0.2%)	3.1%	1.1%	1.6%	(0.5%)	0.2%	(2.2%)	(1.6%)	(0.4%)	N/A
Strategic Target \$ <sup>1</sup>	\$116.4	\$58.2	\$58.2	\$47.5	\$42.8	\$4.8	\$33.3	\$23.8	\$11.9	\$4.8	\$237.5
Actual Investment \$ <sup>1</sup>	\$123.3	\$57.6	\$65.7	\$50.2	\$46.6	\$3.6	\$33.6	\$18.6	\$8.1	\$3.7	\$237.5
Variance \$(Strategic vs. Actual) <sup>1</sup>	\$6.9	(\$0.6)	\$7.5	\$2.7	\$3.9	(\$1.2)	\$0.4	(\$5.1)	(\$3.8)	(\$1.0)	N/A
% Passive	67.9%	67.2%	68.4%	0.0%	0.0%	0.0%	0.0%	7.0%	0.0%	0.0%	35.8%
% Active	32.1%	32.8%	31.6%	100.0%	100.0%	100.0%	100.0%	93.0%	100.0%	100.0%	64.2%
% Internal	77.5%	79.6%	75.7%	90.8%	97.7%	0.0%	0.0%	8.0%	63.8%	100.0%	63.8%
% External	22.5%	20.4%	24.3%	9.2%	2.3%	100.0%	100.0%	92.0%	36.2%	0.0%	36.2%

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values.

\* When summing amounts on this report, there may be breakage.

\* MDP Venture accounts included in MDP's primary asset class. MDP Fixed and CalPERS Hedge Fund roll to External Domestic Equity.

<sup>1</sup> (\$ Billion)

<sup>2</sup> Equity overlay and lending income funds are included in International Equity, currency overlay funds are included in Cash and the Global Equity Cash Account is included in Domestic Equity and Domestic Fixed Income Transition Account is included in Domestic Fixed Income

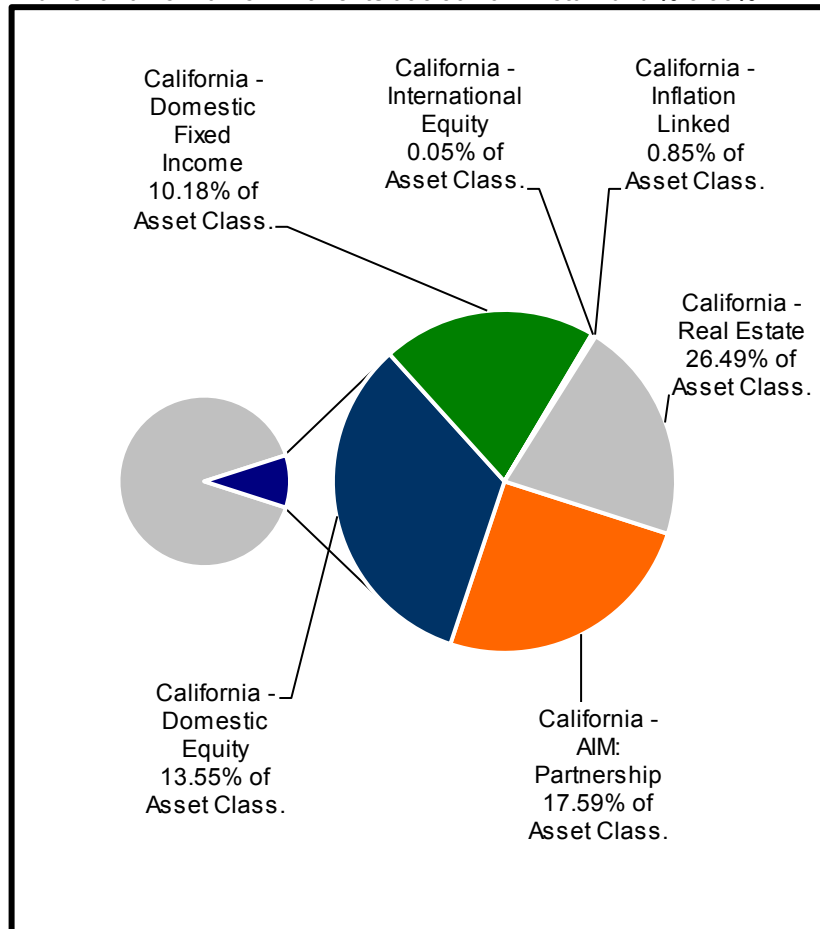
Private Market Commitment as of June 30, 2011							
AIM				Real Estate			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$33.61	14.15%	9-19%	Fair Market Value (FMV)	\$18.64	7.85%	5-15%
Unfunded Commitment	\$15.51	6.53%		Unfunded Commitment (as of 5/31/11)	\$7.31	3.08%	
Fair Market Value plus Unfunded Commitment	\$49.13	20.68%		Fair Market Value plus Unfunded Commitment	\$25.95	10.93%	
Infrastructure				Forestland			
Funded	\$(in Billions)	% Allocation	Target Range	Funded	\$(in Billions)	% Allocation	Target Range
Fair Market Value (FMV)	\$64	0.27%	0-3%	Fair Market Value (FMV)	\$2.29	0.96%	0-2%
Unfunded Commitment (as of 5/31/11)	\$37	0.16%		Unfunded Commitment (as of 5/31/11)	\$0.1	0.00%	
Fair Market Value plus Unfunded Commitment	\$1.01	0.42%		Fair Market Value plus Unfunded Commitment	\$2.30	0.97%	

## CalPERS Investments in the State of California – June 30, 2011

The State of California offers CalPERS a number of attractive investment opportunities. The following charts summarize the investments by asset class as of the date of this report. A detailed report on California investments is available in the supplemental reporting document.

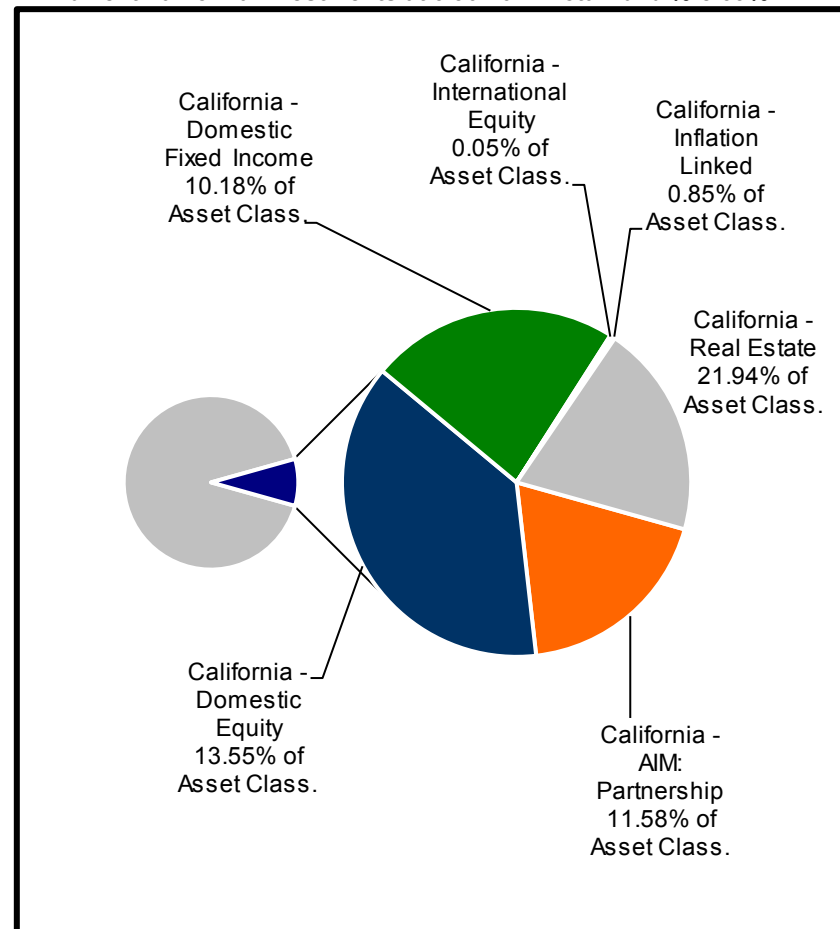
### California Investments plus Additional Commitments

Current California Commitments at 6/30/2011 Total Fund %: 9.90%



### California Investments

Current California Investments at 6/30/2011 Total Fund %: 8.69%

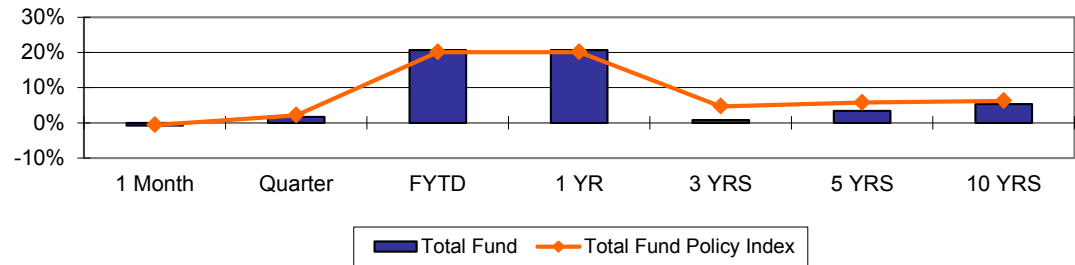


Note: International Equity includes Global Funds that may invest globally, which would include investments in the State of California.

## Performance Summary – June 30, 2011

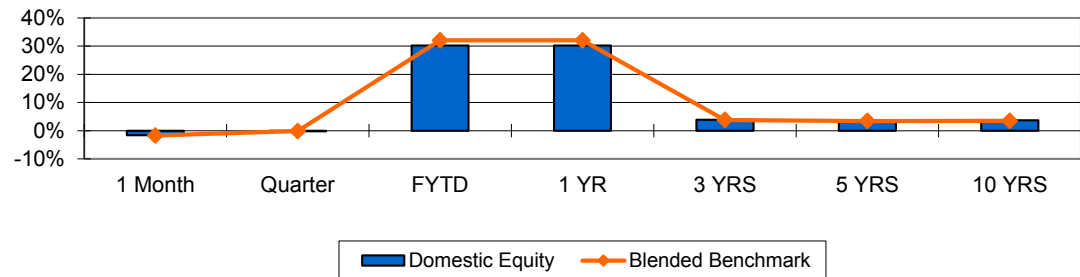
### Total Plan:

Net Total Fund returns have underperformed the actual Weighted Total Fund Index in all time periods except the fiscal-year-to-date and one-year periods. Ten-year net returns were 5.36% versus 6.25% for the Actual Weighted Index.



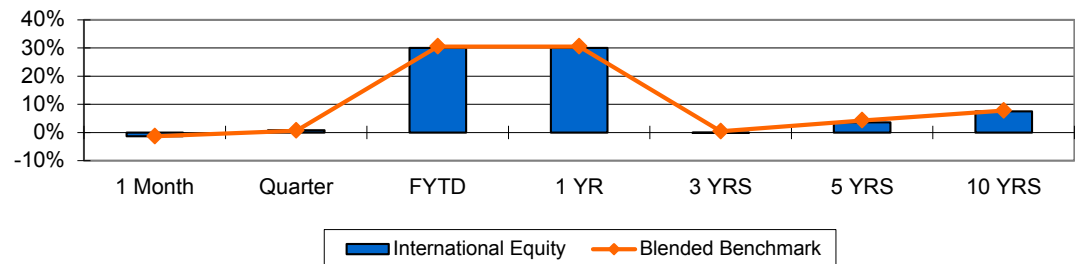
### Domestic Equity:

Net Domestic Equity returns have outperformed the blended benchmark in all time periods except the quarter-to-date, fiscal-year-to-date, and one-year periods. Ten-year net returns were 3.63% versus 3.45% for the blended benchmark.



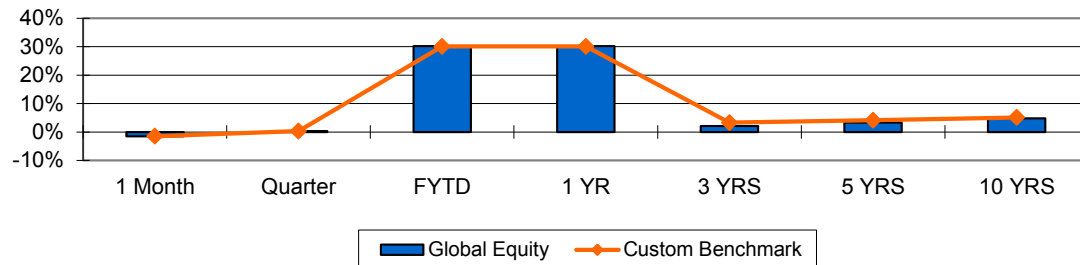
### International Equity:

Net International Equity returns have underperformed the blended benchmark in all time periods except the quarter-to-date period. Ten-year net returns were 7.46% versus 7.75% for the blended benchmark.



### Global Equity:

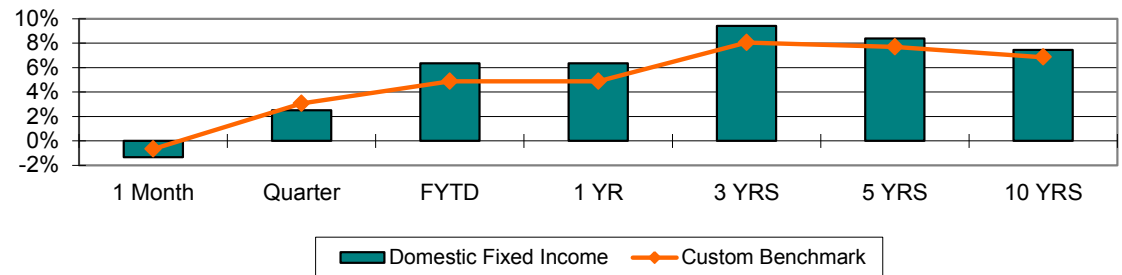
Net Total Global Equity returns have underperformed the benchmark in all time periods except the one-month, fiscal-year-to-date and one-year periods. Ten-year net returns were 4.79% versus 5.08% for the blended benchmark.



## Performance Summary – June 30, 2011

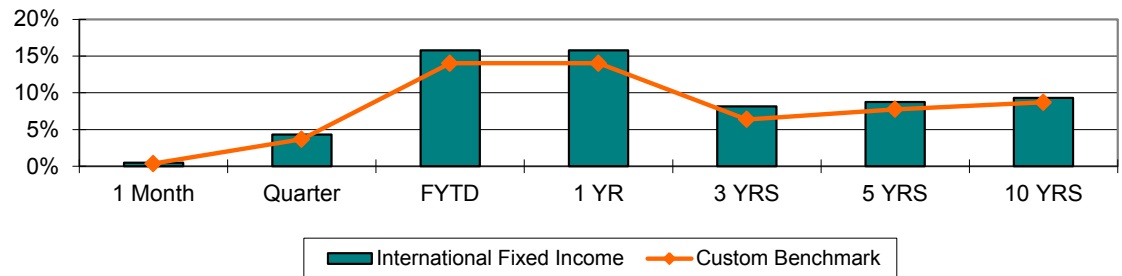
### Domestic Fixed Income:

Net Domestic Fixed Income returns have outperformed the benchmark in all time periods except the one-month and quarter-to-date periods. Ten-year net returns were 7.45% versus 6.85% for the benchmark.



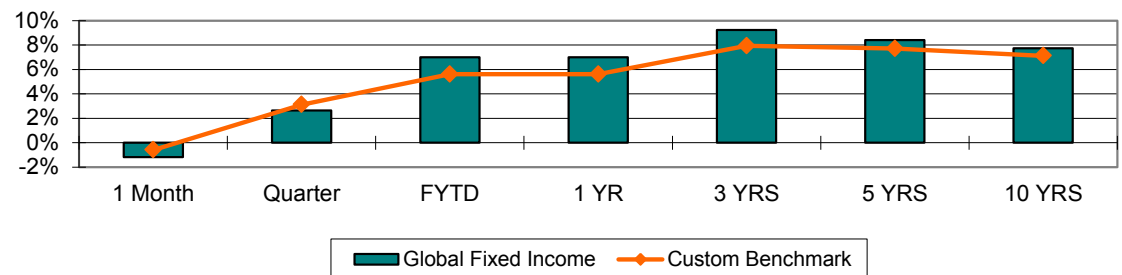
### International Fixed Income:

Net International Fixed Income returns outperformed the benchmark in all time periods. Ten-year net returns were 9.29% versus 8.70% for the benchmark.



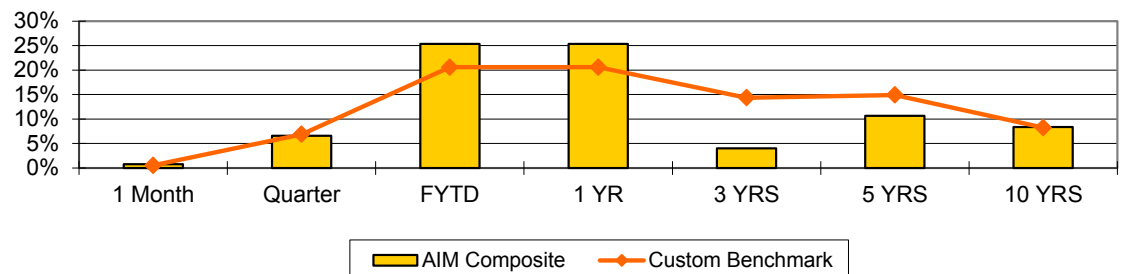
### Global Fixed Income:

Net Global Fixed Income returns have outperformed the benchmark in all time periods except the one-month and quarter-to-date periods. Ten-year net returns were 7.74% versus 7.11% for the benchmark.



### AIM Composite:

Net AIM Composite returns have outperformed the custom blended benchmark in all time periods except the quarter-to-date, three-year and five-year periods. Ten-year net returns were 8.40% versus 8.24% for the benchmark.

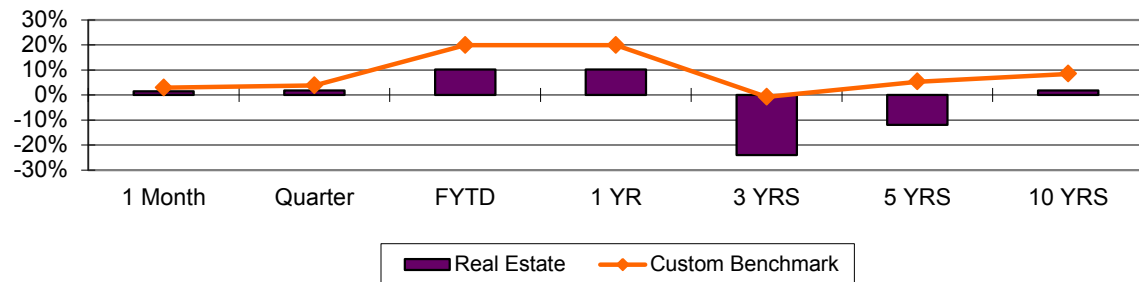




## Performance Summary – June 30, 2011

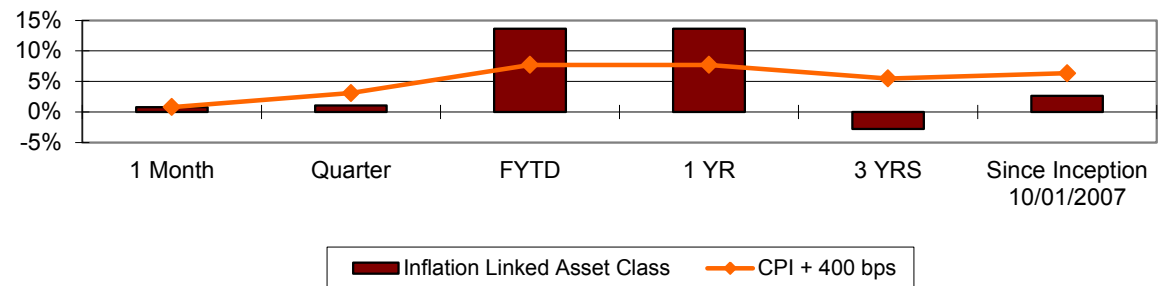
### Real Estate:

Net Total Real Estate returns have underperformed the benchmark in all time periods. Ten-year net returns were 1.85% versus 8.43% for the benchmark.



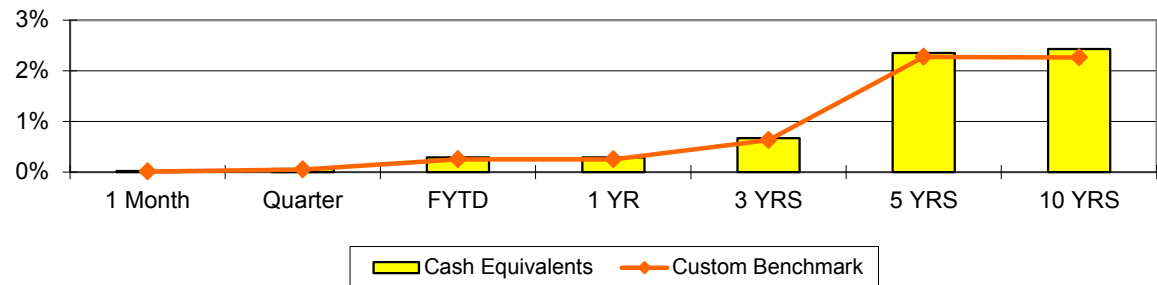
### Inflation Linked Assets:

Net returns for the Inflation Linked Assets portfolio have underperformed the benchmark in all time periods except the fiscal-year-to-date and the one-year periods. Since inception net returns were 2.64% versus 6.33% for the benchmark.



### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have outperformed the benchmark in all time periods. Ten-year net returns were 2.43% versus 2.26% for the custom benchmark.

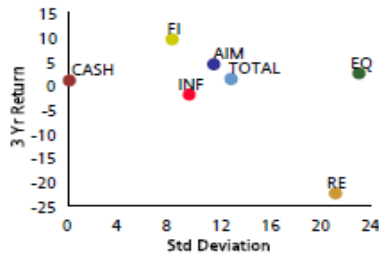


## Plan Performance Summary

### Gross of Manager Fees

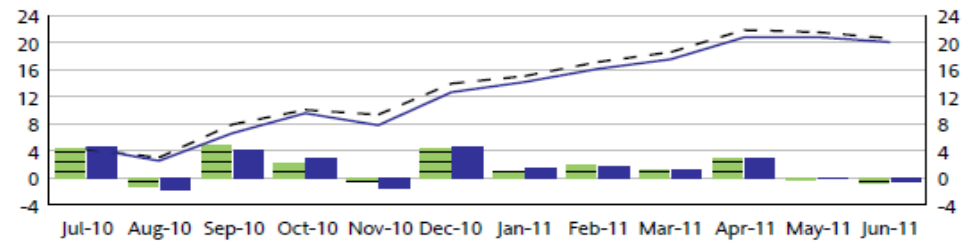


#### Risk Profile



	Information Ratio	Tracking Error
TOTAL FUND	-1.00	3.71
TOTAL GLOBAL EQUITY	-0.93	1.20
TOTAL GLOBAL FIXED INCOME	0.31	4.19
TOTAL AIM	-0.68	15.07
TOTAL REAL ESTATE	-1.28	17.22
TOTAL INFLATION LINKED	-0.80	9.62
TOTAL CASH EQUIVALENTS	2.86	0.01

#### Cumulative Performance vs Benchmark



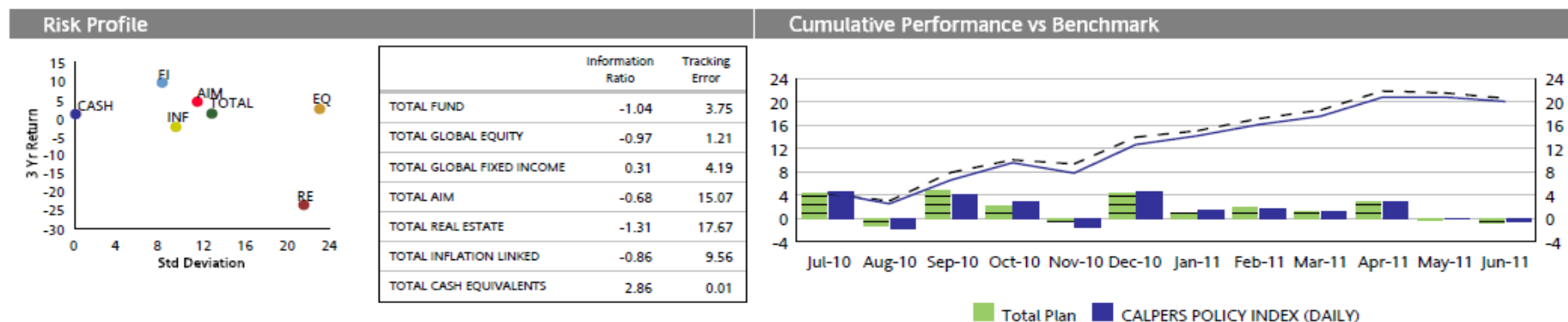
■ Total Plan ■ CALPERS POLICY INDEX (DAILY)

#### Performance Summary

	% of Plan	MKT VAL \$(000's)	1 Month	Quarterly	FYTD	1 Year	3 Year	5 Year	10 Year
TOTAL GLOBAL EQUITY	51.9%	123,262,053	-1.49	0.31	30.25	30.25	2.15	3.35	4.84
TOTAL GLOBAL EQ EX AIM BENCHMARK (DAILY)			-1.49	0.32	30.08	30.08	3.27	4.12	5.08
TOTAL GLOBAL FIXED INCOME	17.3%	41,147,180	-1.17	2.65	7.01	7.01	9.23	8.41	7.75
CalPERS Total GBL Fixed Income Policy (DAILY)			-0.59	3.12	5.61	5.61	7.93	7.71	7.11
TOTAL AIM	14.2%	33,612,696	0.80	6.59	25.35	25.35	4.04	10.66	8.41
Wilshire 2500 + 300 bps. 1 qtr lag			0.54	6.89	20.58	20.58	14.35	14.92	8.24
TOTAL REAL ESTATE	7.8%	18,643,198	1.67	2.06	11.89	11.89	-22.77	-10.24	4.38
90% NPI+200 BPS / 10% FTSE EPRA NAREIT			2.92	3.80	19.88	19.88	-0.79	5.28	8.43
TOTAL INFLATION LINKED	3.4%	8,077,229	1.21	1.49	14.62	14.62	-2.27		
CPI+400 BPS 1 MONTH LAGGED			0.80	3.10	7.70	7.70	5.47		
TOTAL CASH EQUIVALENTS	1.6%	3,834,728	0.02	0.06	0.29	0.29	0.67	2.35	2.43
PERS CUSTOM STIF NET OF FEES (DAILY)			0.01	0.05	0.25	0.25	0.63	2.27	2.26
OVERLAY + ASSET ALLOC TRANSITION	3.8%	8,932,728							
TOTAL FUND	100.0%	237,509,894	-0.72	1.75	20.87	20.87	0.99	3.62	5.59
CALPERS POLICY INDEX (DAILY)			-0.62	2.16	20.10	20.10	4.69	5.76	6.25

## Plan Performance Summary

Net of Manager Fees



Performance Summary										
	% of Plan	MKT VAL \$(000's)	1 Month	Quarterly	FYTD	1 Year	3 Year	5 Year	10 Year	
TOTAL GLOBAL EQUITY	51.9%	123,262,053	-1.49	0.30	30.17	30.17	2.09	3.28	4.79	
TOTAL GLOBAL EQ EX AIM BENCHMARK (DAILY)			-1.49	0.32	30.08	30.08	3.27	4.12	5.08	
TOTAL GLOBAL FIXED INCOME	17.3%	41,147,180	-1.17	2.65	7.00	7.00	9.22	8.40	7.74	
CalPERS Total GBL Fixed Income Policy (DAILY)			-0.59	3.12	5.61	5.61	7.93	7.71	7.11	
TOTAL AIM	14.2%	33,612,696	0.80	6.59	25.34	25.34	4.03	10.65	8.40	
Wilshire 2500 + 300 bps. 1 qtr lag			0.54	6.89	20.58	20.58	14.35	14.92	8.24	
TOTAL REAL ESTATE	7.8%	18,643,198	1.43	1.83	10.16	10.16	-23.94	-11.96	1.85	
90% NPI+200 BPS / 10% FTSE EPRA NAREIT			2.92	3.80	19.88	19.88	-0.79	5.28	8.43	
TOTAL INFLATION LINKED	3.4%	8,077,229	0.78	1.06	13.63	13.63	-2.79			
CPI+400 BPS 1 MONTH LAGGED			0.80	3.10	7.70	7.70	5.47			
TOTAL CASH EQUIVALENTS	1.6%	3,834,728	0.02	0.06	0.29	0.29	0.67	2.35	2.43	
PERS CUSTOM STIF NET OF FEES (DAILY)			0.01	0.05	0.25	0.25	0.63	2.27	2.26	
OVERLAY + ASSET ALLOC TRANSITION	3.8%	8,932,728								
TOTAL FUND	100.0%	237,509,894	-0.76	1.71	20.65	20.65	0.81	3.41	5.36	
CALPERS POLICY INDEX (DAILY)			-0.62	2.16	20.10	20.10	4.69	5.76	6.25	

## Operations/Policy Violations/Activity Reports/Placement Agent Fees

### Closed Session Transactions

- There were zero closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

### Investment Policy Violations

- According to policy requirements, the following is a summary of investment policy violations extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

### Global Equity, AIM, Cash Equivalents, Supplemental Income Plans

Report Containing Violation	Violation Description
No items to report	

### Fixed Income

Report Containing Violation	Violation Description
Internally Managed Barclays Aggregate Fixed Income	The portfolio is not within the guideline of +/- 10% of the Barclays Capital Aggregate Index on an option adjusted basis from February 14, 2011 to April 18, 2011.
Low Duration Fixed Income Funds	<p>High Quality LIBOR Fund: Structured Securities &lt;=10% issuer – BA Credit Card Trust 10.35% of NAV The violation is triggered due to the portfolio being in a run-off mode. We recommend holding the bond for now due to the high quality and short weighted average life (0.98 wal). We will closely monitor the bond to determine future action.</p> <p>Short Duration Fund: AAA Structured securities w/&lt;=1.5 WAL, &lt;15% Issuer – Citibank Credit Card Issuance Trust 15.30% of NAV There was an outstanding tender offer on this security on June 17, 2011, which our custodian, State Street Bank, had a two day delay in booking the action. As a result, the security was 15.3 % of NAV for June 17, 2011 and June 20, 2011. When State Street Bank booked the tender on June 21, 2011, this was no longer a violation.</p>
Internally Managed Inflation-linked Bond Program	On May 16, 2011 the Investment committee approved a new benchmark for the Inflation Asset Program, which resulted in a modification of the Inflation Linked Bond (ILB) Index. Specifically, Canada was added to the index and Japan was dropped out. The effective date for the new benchmark was July 1, 2011. Since ILBs in Canada are difficult to source, staff purchased the securities over a couple of weeks in mid-June to enable the portfolio weights on Canada to equal the index by July 1, 2011. Unfortunately, the ILB Policy did not allow for the purchase of the non-index Canadian inflation linked securities, which created an interim policy violation. The portfolio was back in compliance on July 1, 2011, when Canada became part of the index.

## Operations/Policy Violations/Activity Reports/Placement Agent Fees

### Investment Policy Violations (cont.):

#### Real Estate

Report Containing Violation	Violation Description
Quarterly Performance Report	<p>The Investment Committee approved the Real Estate Policy effective June 15, 2009. The policy includes limits that have been reduced in a number of key areas. As a result of the reduced limits and market conditions that have resulted in market value declines, the portfolio is out-of-compliance with the policy in the areas listed below. The Real Estate Unit estimates the portfolio to be in full compliance with policy no later than December 2013.</p> <p>CalPERS' Opportunistic asset exposure was approximately 40.6% as of March 31, 2011, or 0.6 percentage point above the policy range of 10.0% to 40.0%. The amount above the policy range increased over the last quarter from 40.1% to 40.6%; and decreased over the last calendar year from 43.6% to 40.6%.</p> <p>CalPERS' Other property type exposure was approximately 15.1% as of March 31, 2011, or 5.1 percentage points above the policy limit of 10.0%. The variance is attributed to Other property type exposure being comprised largely of Mixed-Use properties at 5.7% of the total portfolio. Staff is evaluating options for classification of mixed-use properties. The amount above the policy range is unchanged over the last quarter, and decreased over the last calendar year from 16.2% to 15.1%.</p>

#### ILAC

Report Containing Violation	Violation Description
Quarterly Performance Report	<p><b>Infrastructure</b></p> <p>US investments have a NAV of \$184.4 million. This amount represents 29% of the NAV of the Infrastructure portfolio, which is below the 40-70% policy range. Note, however, the amount is only 5% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.</p> <p>OECD investments outside of the US have a NAV of \$451.1 million. This amount represents 71% of the NAV of the Infrastructure portfolio, which is above the 20-40% policy range. Note, however, the amount is only 13% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.</p> <p>Value-Added investments have a NAV of \$207.6 million. This amount represents 33% of the NAV of the Infrastructure portfolio, which is below the 40-70% policy range. Note, however, the amount is 6% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.</p>

## Operations/Policy Violations/Activity Reports/Placement Agent Fees

---

### Investment Policy Violations (cont.):

---

#### ILAC (cont.)

Report Containing Violation	Violation Description
Quarterly Performance Report	<p><b>Infrastructure (cont.)</b></p> <p>Opportunistic investments have a NAV of \$296.3 million. This amount represents 47% of the NAV of the Infrastructure portfolio, which is above the 0-20% policy range. Note, however, the amount is only 8% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment allocations within the portfolio are expected to move toward compliance with the policy range.</p> <p>The \$300 million commitment to Alinda II represents 34% of our current commitments of \$870 million. This 34% is above the 25% limit of committed capital in any single investment in a partnership or fund. Note, however, the amount is only 9% of the Infrastructure Program asset allocation target. As the portfolio grows towards its allocation target, investment commitments within the portfolio are expected to move toward compliance with the policy limit.</p>

#### Items Completed Under Delegated Authority

---

- According to policy requirements, the following is a summary of items completed under delegated authority extracted from the reports prepared for Investment Committee consideration. Full reports are available in the Supplemental Reporting Document.

#### Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance, ILAC, AIM

Investment	Commitment
No items to report	

## Operations/Policy Violations/Activity Reports/Placement Agent Fees

### Activity Reports

- Staff prepares activity reports for the AIM, Real Estate, Risk Managed Absolute Return Strategies, Corporate Governance and Inflation Linked Asset Class Programs. Detailed reports and investment summaries for these programs are included in the supplemental reporting document.

#### AIM Activity Report

Activity	Month	2008	2009	2010	2011YTD	Since Inception
Investment Proposals Entered	20	349	295	333	142	8,389
Declined/Referred/Failed to Materialize	16	339	245	353	145	6,849
Deals in Screening	50	349	295	333	142	5,373
Due Diligence Reviews	8	31	12	12	13	827

#### Real Estate Investments Activity Report:

Activity	Month	2007	2008	2009	2010	2011YTD	Since Inception *
Investment Proposals Entered	17	N/A	138	23	136	77	374
Declined/Referred/Failed to Materialize	20	N/A	120	29	122	58	329
Deals in Screening	28	N/A	24	33	76	94	227
Due Diligence Reviews	2	N/A	3	0	0	2	5
* As of January 2, 2008							

#### Risk Managed Absolute Return Strategies Program Activity Report

Activity	Month	2007	2008	2009	2010	2011YTD	Since Inception
Investment Proposals Entered	5	90	118	66	20	46	966
Declined/Referred/Failed to Materialize	0	0	0	0	18	0	261
Deals in Screening	5	90	118	66	8	46	699
Due Diligence Reviews	5	90	118	66	8	46	699
Allocations Approved by RMARS Board	0	66	31	0	11	0	217
New ARD Funds Approved by RMARS Board	0	8	3	0	2	1	47
Funded Investments (\$ Millions)	\$0	\$2,499	\$1,089	\$0	\$510	\$100	\$7,499

#### Corporate Governance Activity Report

Activity	Month	2007	2008	2009	2010	2011YTD	Since Inception *
Investment Proposals Entered	0	N/A	7	1	1	0	9
Declined/Referred/Failed to Materialize	0	N/A	6	13	11	0	30
Deals in Screening	N/A	N/A	N/A	N/A	0	0	0
Due Diligence Reviews	0	N/A	13	14	12	0	39
* As of April 1, 2008							

## Operations/Policy Violations/Activity Reports/Placement Agent Fees

### Activity Reports (cont.)

#### Inflation Linked Asset Class Activity Report - Infrastructure

Activity	Month	2007	2008	2009	2010	2011YTD	Since Inception
Investment Proposals Entered	4	12	57	52	105	48	274
Declined/Referred/Failed to Materialize	13	N/A	11	58	113	60	242
Deals in Screening	31	12	57	52	105	48	274
Due Diligence Reviews	1	N/A	0	4	2	1	7

#### Inflation Linked Asset Class Activity Report - Forestland

Activity	Month	2007	2008	2009	2010	2011 YTD	Since Inception
Investment Proposals Entered	2	N/A	9	5	7	5	26
Declined/Referred/Failed to Materialize	2	N/A	7	6	6	2	21
Deals in Screening	3	N/A	9	5	7	5	26
Due Diligence Reviews	0	N/A	1	0	0	0	1

### Disclosure of Placement Agent Fees

Asset Class	Firm Name	Fund	Placement Agent Firm	Estimated Placement Agent Compensation	Disclosure Type
AIM	Candover Partners Limited	Candover 2005 Fund	Benedetto, Gartland & Company, Inc.	-	Amendment <sup>1,3,5</sup>
AIM	Candover Partners Limited	Candover 2008 Fund	Benedetto, Gartland & Company, Inc.	-	Amendment <sup>1,4,5</sup>
AIM	Gleacher Mezzanine now Arrowhead Mezzanine	Gleacher Mezzanine Fund II, L.P.	Probitas Funds Group, LLC	-	Amendment <sup>1,2</sup>

<sup>1</sup> – The amendment does not benefit the placement agent.

<sup>2</sup> – An affiliate of the placement agent, Probitas Portfolio Management, LLC, has a contract to provide advisory services to CalPERS, 2006-3896.

<sup>3</sup> – Fees paid on initial commitment to fund; approximately \$871,000.

<sup>4</sup> – Fees paid on initial commitment to fund; approximately \$221,000.

<sup>5</sup> – Placement agent currently not registered with the California Secretary of State; not fund raising.

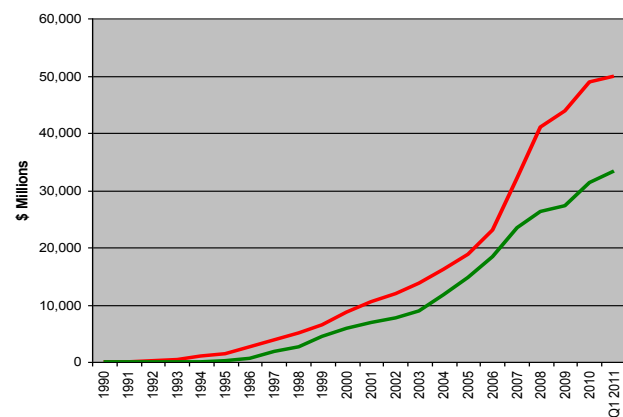


## Quarterly Reports

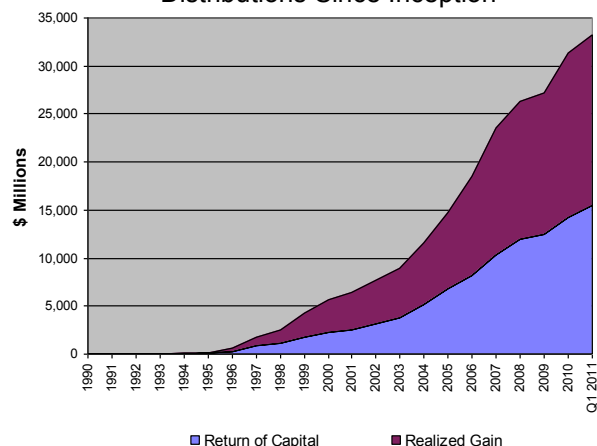
According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. Executive Summaries and full reports are available in the Supplemental Reporting Document.

### AIM Program Report:

AIM Program Cumulative Cash Flow Since Inception



AIM Program Cumulative Cash Distributions Since Inception



**Portfolio Summary** — As of 3/31/2011, the AIM Program had a total exposure of \$51.0 billion. Total exposure is the current reported value of investments plus the remaining amount of unfunded commitments. Since inception, the AIM Program has made contributions of \$49.9 billion, received distributions of \$33.3 billion and has a remaining reported value of \$34.7 billion. Of the \$33.3 billion in distributions, \$17.8 billion represents realized gains, income and dividends.

**Performance Summary** — At 3/31/2011, the AIM Program generated a ten-year time-weighted return of 8.4%. At 3/31/2011 the public market ten-year rolling average return for the CALPERS' Custom Wilshire 2500 Index plus 300 basis points one quarter lag was 8.2%. As of 3/31/2011, the weighted average age of all the current investments in the AIM Portfolio was 5.2 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect. Since inception to 3/31/2011, the AIM Program generated a net IRR of 11.1%.

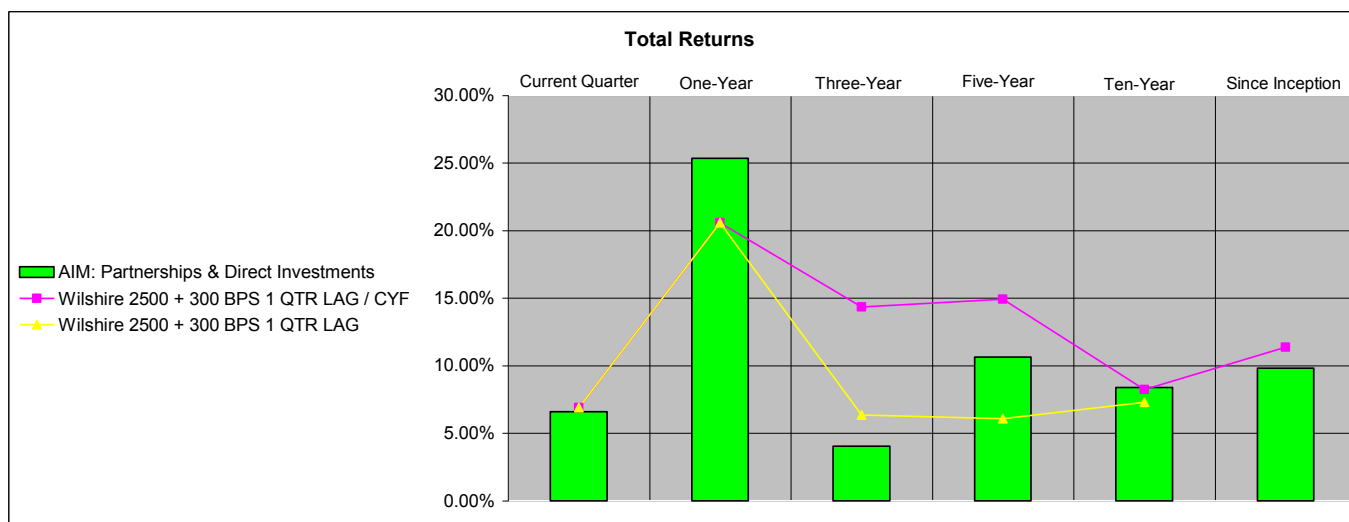
**Portfolio Activity** — Four new commitments were authorized during the first quarter of 2011 for a total of \$750.2 million. During the first quarter of 2011, the AIM Program received 132 proposals for new investment opportunities. During 2011, the AIM Program contributed \$931.5 million and received distributions of \$1,958.9 million from the underlying portfolio. Of the \$1,958.9 million in distributions, \$653.6 million represent income and realized gains.

## Quarterly Reports

### AIM Program Report (cont.):

#### Total Asset Class Performance Review

<b>Net Assets at Fair Market Value \$(000's)<sup>(1)</sup></b>	<b>\$33,612,696</b>					
	Current Quarter	One-Year	Three-Year	Five-Year	Ten-Year	Since Inception
<b>Total<sup>(2)</sup></b>						
<b>AIM: Partnerships &amp; Direct Investments</b>	6.59%	25.34%	4.03%	10.65%	8.40%	9.83%
<b>Benchmark<sup>(3)</sup></b>						
<b>Wilshire 2500 + 300 BPS 1 QTR LAG / CYF<sup>(4)</sup></b>	6.89%	20.58%	14.35%	14.92%	8.24%	11.38%
<b>Wilshire 2500 + 300 BPS 1 QTR LAG</b>	6.89%	20.58%	6.35%	6.09%	7.30%	N/A



- (1) Net assets at fair market value and returns shown in the above table and chart were calculated by State Street Investment Analytics as of June 30, 2011 and include distributed stocks.
- (2) Total AIM Portfolio returns shown in this table are time-weighted. Returns shown in the remainder of this report are IRRs, since IRR is the GIPS standard for measuring the performance of a private equity portfolio.
- (3) The Wilshire 2500 + 300 BPS 1 QTR LAG / CYF and Wilshire 2500 + 300 BPS 1 QTR LAG returns shown in the table above are time-weighted.
- (4) The AIM Policy Index is the Wilshire 2500 + 300 BPS lagged one quarter and linked previously to the Custom Young Fund.

## Quarterly Reports

### AIM Program Report (cont.):

	Capital Contributed <sup>(7)</sup>	Distributions		Reported Value <sup>(9)</sup>	Investment Multiple
		Return of Capital	Realized Gain <sup>(8)</sup>		
<b>Total Active Commitments</b> <sup>(5)</sup>	\$41,356.1	\$9,231.2	\$12,341.6	\$34,685.9	1.4x
<b>Total Exited Commitments</b> <sup>(6)</sup>	\$8,556.3	\$6,287.7	\$5,434.8	-	1.4x

(5) An active commitment refers to an investment that has not reached the end of its legal term.

(6) An exited commitment is defined as a commitment that has ended in accordance with the terms of the partnership agreement.

(7) Includes fees in excess of committed capital.

(8) Realized gains include interest, dividends, gains and losses distributed by the general partners in addition to interest paid by CalPERS for participation in subsequent closings of certain investments.

(9) Based on March 31, 2011 values reported by the general partners as of July 18, 2011. The number of partners reporting updated financial information may differ from the Net Assets at Fair Value reported on I-2.

## Quarterly Reports

### Proxy Voting Quarterly Report:

Quarterly, Corporate Governance staff provides the Investment Committee with a report on CalPERS' proxy voting. This supplemental agenda item provides detailed results on CalPERS' proxy votes for the period of April 1, 2011 to June 30, 2011. Staff is delegated the authority to execute all proxies and voting instructions in a manner consistent with the CalPERS Global Principles of Accountable Corporate Governance. As part of this delegation staff reviews and analyzes information provided by market experts, like-minded investors, issuers, proxy advisory firms, and the results of company engagements to ensure the votes cast are consistent with board directed principles.

Table 1 provides a summary of CalPERS' internal proxy voting results for the most recent period. Staff continues to update this table to provide the Committee with a five-quarter rolling analysis of CalPERS' proxy voting results.

Table 1: Global Proxy Votes Cast

Period	Number of Meetings Voted	Number of Individual Items Voted	Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
4/01/11 to 6/30/11	7,081	71,426	601	64%
1/01/11 to 3/31/11	1,356	9,989	67	42%
10/01/10 to 12/31/10	1,330	7,740	33	51%
7/01/10 to 9/30/10	1,203	9,983	38	58%
4/01/10 to 6/30/10	6,872	69,057	729	73%

Source: Glass Lewis (Viewpoint)

Additionally, staff prepared a summary report that highlights the CalPERS Global Proxy Voting decisions over the past quarter. Due to the size of the complete voting history for the quarter, a copy may be requested through the Investment Committee Secretary.

### Executive Compensation:

Table 1: Votes AGAINST executive compensation plans

Company	Meeting	Reason
Ampal-American Israel Corp.	5/3/11	Equity grant repricing without shareowner approval should be prohibited.
Hardinge Inc.	5/5/11	The plan allows for reload stock options. Additionally, CalPERS voted "against" the management Say on Pay proposal due to this negative provision.
IHS Inc.	5/5/11	The plan allows for reload stock options and equity awards vest in less than three years. Additionally, CalPERS voted "against" the management Say on Pay proposal due to these negative provisions.
Jazz Pharmaceuticals Inc.	5/24/11	The plan allows for repricing without shareowner approval and contains an evergreen provision. Additionally, CalPERS voted "against" the management Say on Pay proposal due to these negative provisions.

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

#### Shareowner proposals:

**Table 2: Votes FOR shareowner proposals**

Company	Meeting	Proposal	Reason
Lennar Corp.	4/13/11	Shareholder Proposal Regarding Reporting and Reducing Greenhouse Gas Emissions	CalPERS recommends that to ensure sustainable long-term returns, companies should provide accurate and timely disclosure of environmental risks and opportunities, such as those associated with climate change.
Moody's Corp.	4/19/11	Proposal Regarding Independent Board Chairman	CalPERS believes when the Chairman is independent the board may be able to exercise stronger oversight of management.
Paccar Inc.	4/20/11	Shareholder Proposal Regarding Simple Majority Vote	CalPERS believes a majority of the proxies cast should be able to amend the company's bylaws.
C.R. Bard Inc.	4/20/11	Shareholder Proposal Regarding Sustainability Report	CalPERS recommends that corporations strive to measure, disclose, and be accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.
Graco Inc.	4/21/11	Shareholder Proposal Regarding Majority Vote for Election of Directors	CalPERS believes a majority of the proxies cast should be required to elect a director in an uncontested election. <b>**CalPERS Proposal – received 71% of the FOR vote cast**</b>
Hospitality Properties Trust	5/10/11	Shareholder Proposal Regarding Declassification of the Board	CalPERS believes every director should be elected annually. <b>**CalPERS Proposal – received 89% of the FOR vote cast**</b>

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

**Table 3: Votes AGAINST shareowner proposals**

Company	Meeting	Proposal	Reason
General Electric Co.	4/27/11	Shareholder Proposal Regarding Restricting Executive Compensation	CalPERS is a firm supporter of pay for performance. However, we believe this proposal could unfairly restrict the company's ability to attract and retain competent executives and thereby cause long-term harm to the company.
West Bancorp Inc.	4/28/11	Shareholder Proposal Regarding Restricting Director Compensation	CalPERS is a firm supporter of pay for performance. However, we believe implementation of the proposal could impair the company's ability to attract and retain director talent.
Johnson & Johnson	4/28/11	Shareholder Proposal Regarding Pharmaceutical Price Restraints	CalPERS believes business decisions such as these are best left to management and the Board.
Pfizer Inc.	4/28/11	Shareholder Proposal Regarding Publishing Political Contributions and Expenditure in Newspapers	CalPERS believes that the disclosure of political contributions and activities is a benefit to shareowners. However, we feel the proponents request for disclosure in newspapers is unnecessary.
Consolidated Edison, Inc.	5/16/11	Shareholder Proposal Regarding Disclosure of Executive Compensation (executives making in excess of \$500,000)	CalPERS believes implementation of this proposal could put the company at a competitive disadvantage, and therefore pose long-term harm to the company.
McDonald's Corp	5/19/11	Shareholder Proposal Regarding Controlled Atmosphere Killing	CalPERS believes business decisions such as these best left to management and the board.

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

#### Website votes:

These include the CalPERS top 300 holdings by Market Cap and are disclosed on the CalPERS Shareowner Forum approximately two weeks before each annual general meeting.

**Table 4: Website votes cast**

Company/Date	Issue	Vote	Reason
Bank of New York Mellon 4/12/11	Proposal Regarding Cumulative Voting	For	CalPERS believes shareowners should have the right to cumulate votes in the election of directors.
BP PLC. 4/14/11	Elect Directors	Against	CalPERS is voting against director nominee Sir William Castell in consideration of his role as chair of the Safety, Ethics and Environmental Assurance Committee in the period running up to the Gulf of Mexico disaster.
General Electric Co. 4/27/11	Advisory Vote on Executive Compensation	Against	The company's recent modification of stock option grants to the CEO is a positive step. However, we believe a vote against the say on pay proposal is warranted due to concerns that the company has not adequately tied pay with financial performance.
Occidental Petroleum Corp. 5/6/11	Shareowner Proposal Political Contributions	For	CalPERS believes the additional disclosure on political contributions would benefit shareowners.
American International Group 5/11/11	Elect Directors	Against	CalPERS is withholding vote from director nominee A. Martinez for serving on excessive number of public company boards. CalPERS also believes a withhold vote is warranted for G. Miles and M. Offit. Both director nominees served as members of the audit committee prior to the financial crisis when there was, in CalPERS opinion, a failure to ensure appropriate corporate governance practices pertaining to risk management were in place

## Quarterly Reports

### Proxy Voting Quarterly Report (cont.):

#### International Proxy Voting:

**Table 5: International AGAINST votes cast**

Company	Country	Issue	Reason
Julius Baer Group 4/7/11	Switzerland	Director Election	Withhold vote from director nominee Peter Kupfer. CalPERS believes a majority of the members of the Audit Committee should be independent.
Entrepose Contracting 4/8/11	France	Authority to Issue Shares, Convertible Securities and/or Debt Instruments as a Takeover Defense	CalPERS believes this authority is not in shareowners best interest as it could limit opportunities related to corporate takeovers.
Primary Health Prop. 4/12/11	United Kingdom	Authority to Set General Meeting Notice Period to 14 Days	CalPERS believes a reduction in the notice period from 21 to 14 days may not allow shareowners reasonable notice to review matters in which they are required to exercise voting rights.
Belgacom S.A. 4/13/11	Belgium	Approve Remuneration Report	The company allows for option awards to vest over a period of less than three years
Hunting plc 4/20/11	United Kingdom	Appoint Auditor	CalPERS believes fees above 50% for non-audit related services are excessive.
Arcs Co. Ltd 5/24/11	Japan	Renewal of Takeover Defense Plan	CalPERS believes renewal of this plan is not in shareowners best interest as it could limit opportunities related to corporate takeovers.

#### Mergers & Acquisitions:

**Table 6: Sample of votes cast for mergers and acquisitions**

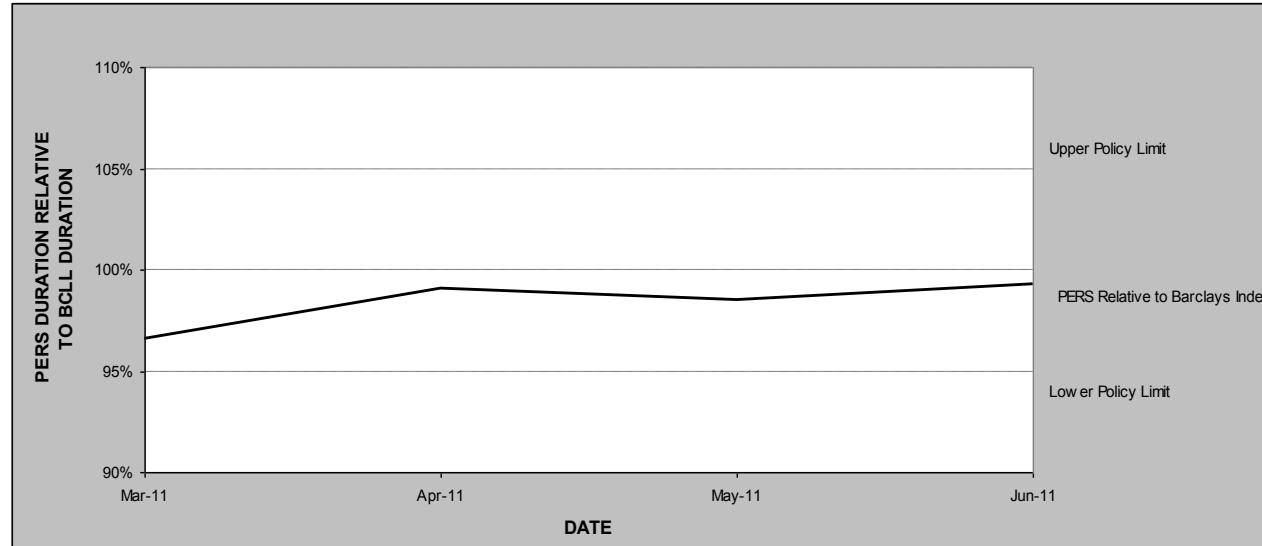
Target	Acquirer	Date	Vote
Rae Systems	Vector Capital	4/7/11	For
Universal American	CVS Caremark	4/27/11	For
Tollgrade Communications Inc.	Golden Gate Private Equity	5/5/11	For
Retail Ventures Inc.	DSW Inc.	5/19/11	For
National Semiconductor Corp.	Texas Instruments Inc.	6/27/11	For



## Quarterly Reports

### Internally Manged Domestic Fixed Income Report:

#### Interest Rate Risk



#### Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	09/30/10 PERS	12/31/10 PERS	3/31/11 PERS	6/30/11 PERS
Government	0-50	40	33	36	39	39
Mortgages	10-60	30	29	29	27	29
Sovereigns	0-15	3	2	2	2	2
Investment Grade Corporates	10-60	24	28	25	25	24
Opportunistic <sup>1</sup>	0-19	3	8	8	7	6

<sup>1</sup> High Yield

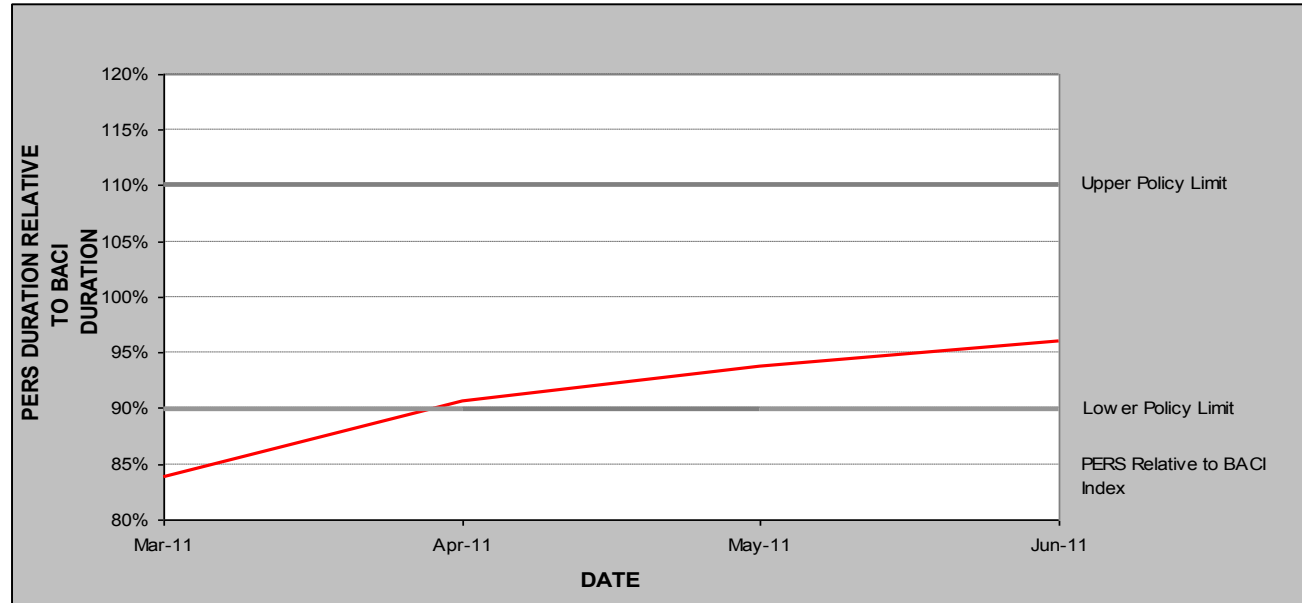
#### Violations to Policy:

None

## Quarterly Reports

### Internally Manged Barclays Aggregate Fixed Income Report:

#### Interest Rate Risk



#### Sector Risk

SECTOR	PERMISSIBLE RANGE	BARCLAYS AGGREGATE	9/30/10 PERS	12/31/10 PERS	3/31/11 PERS	6/30/11 PERS
US Treasury & Govt. Sponsored	0-80	32	25	28	29	33
Securitized	0-70	45	43	41	40	34
Corporates	10-50	23	29	27	27	29
Opportunistic	0-20	0	3	4	4	4

#### Violations to Policy:

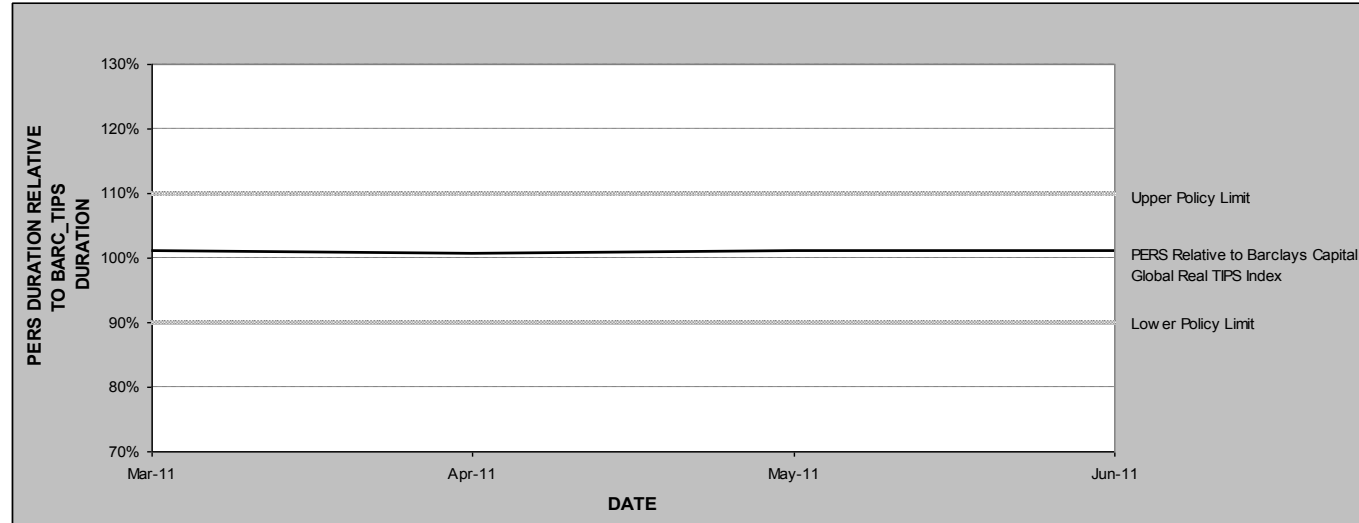
##### 1. Duration was not within the Barclays Aggregate Program policy guidelines:

As indicated in the graph in section 1, the portfolio is not within the guideline of +/- 10% of the Barclays Capital Aggregate Index on an option adjusted basis from February 14, 2011 to April 18, 2011.

## Quarterly Reports

### Internally Manged Treasury Inflation Protected Securities Fixed Income Report:

#### Interest Rate Risk



#### Sector Risk

SECTOR	PERMISSIBLE RANGE	BARCLAYS CAPITAL GLOBAL REAL U.S. TIPS INDEX	9/30/10	12/31/10	3/31/11	6/30/11
			PERS	PERS	PERS	PERS
TIPS	80-100	100	98	100	100	100
Nominal US Treasury	0-15	0	0	0	0	0
STIF	0-5	0	2	0	0	0

#### Violations to Policy:

None

## Quarterly Reports

### Internally Manged Currency Overlay Program Report:

#### I. Hedge Ratio (of the Passive Currency Overlay Program)

Benchmark	Hedge Ratio Range	PERS Hedge Ratio
100%	95% – 105%	100.1039%

#### II. Currency Risk (of the Active Currency Overlay Program)

##### Major Currency Pairs – Subject to index weights $\pm 20\%$

Currency	Permissible Range	Benchmark Country Weight	6/30/11 PERS
Euro	11% – 51%	31%	31.79%
UK Sterling	-2 – 38	18	18.21
Japanese Yen	-2 – 38	18	19.28

##### Minor Currency Pairs – Subject to index weights $\pm 10\%$

Currency	Permissible Range	Benchmark Country Weights	6/30/11 PERS
Canadian Dollar	-1% – 19%	9%	8.52%
Swiss Franc	-4 – 16	6	7.29
Australian Dollar	-3 – 17	7	7.83
Hong Kong Dollar	-6 – 14	4	3.62
Israeli Shekel	-9 – 11	1	0.58
Swedish Krona	-7 – 13	3	2.49
Singapore Dollar	-8 – 12	2	0.36
Norwegian Kroner	-9 – 11	1	-0.21
Danish Krone	-9 – 11	1	1.03
New Zealand Dollar	-10 – 10	0	-0.79

\*Total may not sum to 100% due to rounding.

#### III. Violations to Policy:

None.

## Quarterly Reports

---

### Internally Manged Commodities Program Report:

#### I. Individual Counterparty Exposure

Individual counterparty exposure, for non-exchange traded commodity derivatives, is limited to 40% of the net notional option-adjusted exposure of the Commodities Program at the inception of a new position.

Counterparty	Counterparty Exposure (as of 06/30/11)
Credit Suisse International	6%
Barclays Capital	11
Goldman Sachs International	6
JP Morgan Securities, Inc.	35
Societe Generale	30
UBS Securities Inc.	11

#### II. Collateral Market Value

The market value of the commodities collateral was 101% of the net option-adjusted notional value of the commodities overlay exposure, which satisfies the 100% or greater requirement of the policy.

#### III. Sector Risk

The Commodities Program is currently composed of all total return swaps with the GSCI as the reference index.

#### IV. Violations to Policy:

None.

## Quarterly Reports

### Internally Manged Inflation-linked Bond Program Report:

#### I. Interest Rate Risk

Barclays Capital Global Inflation Linked US 66%/Cust 33% Index Duration as of June 30, 2011: 4.52  
Inflation Linked Bond Portfolio Duration as of June 30, 2011: 4.45

The duration of the portfolio is well within its  $\pm 10\%$  range of the benchmark duration, as it is 1.549% less than the benchmark.

#### II. Sector Risk

Sector	Permissible Range	Policy Target	6/30/11 PERS
Total investment grade Inflation-linked government bonds	80% – 100%	100%	100%
U.S. inflation linked bonds	47 – 87	67	66.77
Investment grade international inflation-linked bonds	13 – 53	33	33.23
Non-government investment grade inflation-linked bonds	0 – 10	0	0
Investment grade nominal government bonds	0 – 10	0	0
Short-term fixed income	0 – 10	0	0
Non-investment grade inflation-linked government bonds	0 – 5	0	0

#### III. Sovereign Risk

Issuer	Permissible Range	Benchmark Weight	6/30/11 PERS
United Kingdom	5% – 25%	15%	12.82%
France	0 – 19	9	9.34
Italy	0 – 15	5	5.55
Japan	0 – 12	2	0
Germany	0 – 12	2	5.52

## Quarterly Reports

---

### Internally Manged Inflation-linked Bond Program Report (cont.):

#### IV. Violations to Policy:

There was an interim policy violation in the Inflation-Linked Bond Program due to a benchmark change. The violation was for nearly 2 weeks.

On May 16, 2011, the Investment Committee approved a new benchmark for the Inflation-Linked Bond Program, which resulted in a modification to the ILB Index. Specifically, Canada was added to the index and Japan was dropped out. The effective date for the new benchmark is July 1, 2011.

Since ILBs in Canada are difficult to source, staff purchased securities over the course of a couple of weeks in mid-June to enable the portfolio weights on Canada to equal the index by July 1, 2011. Unfortunately, the ILB Policy does not allow for the purchase of the non-index Canadian inflation linked securities, which created an interim violation of the policy. On July 1, 2011, when Canada became part of the index, the portfolio was back in compliance.

On June 27, a confidential memo was emailed to the Investment Committee informing them of an interim technical policy violation due to a benchmark change in the Inflation Link

## Quarterly Reports

### Low Duration (High Quality LIBOR) Fixed Income Report:

#### I. Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 90 days. The portfolio duration of the High Quality LIBOR Fund was 29 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
STIF Funds	100%	0.06%
AAA Floating Rate Structured Securities	100	99.94
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	0.00
High Quality Libor Fund		100.0%

#### Credit Quality

Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	100.00%
Total Split Rated or A2/P2 money market securities ( $>$ 1 day maturity)	25	0.00
High Quality Libor Fund		100.0%

#### Other Restriction

Total Fixed Rate Exposure ( $>$ 35 day maturity)	20%	0.00%
--	-----	-------

#### III. Violations To Policy

##### Structured Securities $\leq$ 10% issuer

##### 1. 05522RBE7 BACCT\_07-A9 10.35% of NAV

The violation is triggered due to the portfolio being in a run-off mode. We recommend holding the bond for now due to the high quality and short weighted average life (0.98 wal). We will closely monitor the bond to determine future action.



## Quarterly Reports

### Low Duration (Short Duration) Fixed Income Report:

#### I. Interest Rate Risk

The policy states that duration of the portfolio shall not exceed 180 days. The portfolio duration of the Short Duration Fund was 0 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	0.08%
AAA Structured Securities	100	99.03
Non AAA Structured Securities	50	0.89
Money Market Securities ( $\geq$ A1/P1)	100	0.00
Money Market Securities ( $<$ A1/P1)	25	0.00
Total Corporate Securities	50	0.00
Short Duration Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	99.11%
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	0.89
Short Duration Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	35%	0.00%

#### III. Violations To Policy

##### AAA Structured securities w/ $\leq$ 1.5 WAL, $<$ 15% Issuer

##### 1. 17305EDX0 CCCIT\_07\_A7 15.30% of NAV

There was an outstanding tender offer on this security on June 17, 2011, which our custodian, State Street Bank, had a two day delay in booking the action. As a result, the security was 15.3 % of NAV for June 17, 2011 and June 20, 2011. When State Street Bank booked the tender on June 21, 2011, this was no longer a violation.

## Quarterly Reports

---

### Low Duration (Short Term Fund) Fixed Income Report:

#### I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 2 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	72.76%
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	27.24
Fixed Asset-Backed Securities	50	0.0
Floating Asset-Backed Securities	25	0.0
Total Short-Term Fund		<u>100.0%</u>
<u>Credit Quality</u>		
Securities rated A1/P1 or higher	100%	72.76%
Total Split Rated and A2/P2	30	<u>27.24</u>
Total Short-Term Fund		<u>100.0%</u>
<u>Other Restriction</u>		
Total Floating Rate Exposure	50%	0.00%

#### III. Violations To Policy

None

## Quarterly Reports

---

### Corporate Governance Co-Investment Program Performance Review:

This report addresses the performance of the Corporate Governance Co-Investment Program (the “Program”). The Program manages \$344 million of assets as of June 30, 2011. The objectives of the Program are:

- Produce a positive alpha through the generation of superior investment returns with co-investment opportunities.
- Identify new co-investment opportunities to take advantage of innovative and sustainable investment strategies.

The portfolio managed within the Program tends to be very concentrated with few holdings, and has a very deep “value” style bias. The portfolio positions taken are limited to those situations where the external partners believe an engagement process can affect positive investment returns.

### **Performance**

There are five positions in the Corporate Governance Co-Investment Program’s portfolio. The 1 year and inception performance numbers demonstrate a value added of 4.34% and 8.77%, respectively.

## Quarterly Reports

---

### Public Record Act Requests Report:

Request Date	Requestor	Subject	Response
4/27/11	Individual	Contracts between CalPERS and UBS/Private Equity	Final response mailed 5/10/11
4/29/11	Individual	Private Equity Performance Funds	Final response mailed 5/30/11
4/29/11	Business	Investment/management partnerships	Final response mailed 5/30/11
5/9/11	Media	Permira IV Investment	Extension granted, pending information from requestor.
5/13/11	Business	Complete portfolio of pension fund	Final response mailed 6/6/11
5/24/11	Individual	Alternative Assets Investments and infrastructure	Final response sent 5/29/11
5/27/11	Business	Apollo Real Estate Finance Agreement 2005	Final response sent 6/3/11
5/26/11	Individual	2011 Current Contact List EMFSP database	Referred requestor to Altura website
5/31/11	Business	Apollo Real Estate Finance Agreement 2006	Final response mailed 6/3/11

### Spring Fed Pool Contract Status Report:

The Quarterly Spring-Fed Pool Consultant Contract Status Report for the period ending June 30, 2011, has been prepared by staff from the Policy and Business Support Division (PBSB). The report details Letter of Engagement (LOE) commitments of \$24,479,423 for spring-fed pool contractors since July 1, 2010. Actual expenditures against these commitments may be less, but never greater than this amount, unless agreed upon by CalPERS through an amended letter of engagement.

## Quarterly Reports

---

### Member Home Loan Whole Loan Loss Mitigation Program Report:

The Committee approved Member Home Loan Program (MHLP) loss mitigation strategies allowing for non-conforming (whole) loan modifications, which minimize losses to the Fund. Whole loan delinquencies constitute a risk exposure to the Public Employees' Retirement Fund. As of June 30, 2011, there was \$57,753,861 in total unpaid balances with 172 delinquent loans. The chart below illustrates MHLP whole loan delinquencies.

Stage	# of Loans	% Delinquent		Unpaid Principal Balance	% Delinquent
30 Days	48	4.93%		\$15,471,718	5.00%
60 Days	15	1.54%		\$5,652,515	1.83%
90 Days	45	4.62%		\$15,599,652	5.04%
Bankruptcy	14	1.44%		\$3,994,782	1.29%
Foreclosure	33	3.39%		\$12,235,489	3.96%
CalPERS Owned	17	1.75%		\$4,799,705	1.55%
Total Delinquent	172	17.66%		\$57,753,861	18.67%
<b>Totals</b>	<b>974</b>			<b>\$309,331,418</b>	

Since the approval of the Whole Loan Modification Program by the Investment Committee on April 19, 2010, the CalPERS Member Home Loan Program has continued to process whole loan modifications. As of June 30, 2011, the MHLP has issued modification packages for 83 CalPERS owned whole loans representing a total unpaid balance of \$ 27,665,487. Of 83 loss mitigation packages issued, 28 are in review, 21 have been denied and 17 have been approved. Seventeen modification packages received no response, which included 2 bankruptcies.

## Quarterly Reports

---

### Real Estate Quarterly Performance Report

**Total Portfolio Performance** — The one-year (as of March 31, 2011) total return for the Total Real Estate Portfolio was 10.9% before fees and 9.3% after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 6.8% as of March 31, 2011, with the income component generating a 5.7% return and the appreciation component generating a 1.1% return.

**Core Portfolio Performance** — The one-year (as of March 31, 2011) total return for the Core Portfolio was 27.2% before fees and 26.2% after fees. The nominal after fee total return (since inception) for the Core Portfolio was 8.1% as of March 31, 2011, with the income component generating a 6.7% return and the appreciation component generating a 1.4% return.

**Value Add Portfolio Performance** — The quarterly (as of March 31, 2011) total return for the Value Add Portfolio was -13.8% before fees and -14.0% after fees.

**Opportunistic Portfolio Performance** — The one-year (as of March 31, 2011) total return for the Opportunistic Portfolio was 0.8% before fees and -1.6% after fees. The nominal after fee total return (since inception) for the Opportunistic Portfolio was 3.8% as of March 31, 2011, with the income component generating a 2.0% return and the appreciation component generating a 1.8% return.

**Comparison to Benchmark** — The overall Real Estate benchmark is 90% weighted to the NCREIF Property Index + 200 basis points and 10% weighted to the FTSE EPRA NAREIT Global Net Total Return Real Estate Index. The Real Estate benchmark covers the same period as the Real Estate Portfolio returns.

The Core Portfolio outperformed the Real Estate Policy Benchmark for the current quarter and one-year periods. In addition, the Total Real Estate Portfolio outperformed the NCREIF Benchmark for the since inception period. It should be noted that although the Real Estate Policy Benchmark is more directly comparable to the Core Portfolio, the policy benchmark is used for the Value Added and Opportunistic Portfolios as well.

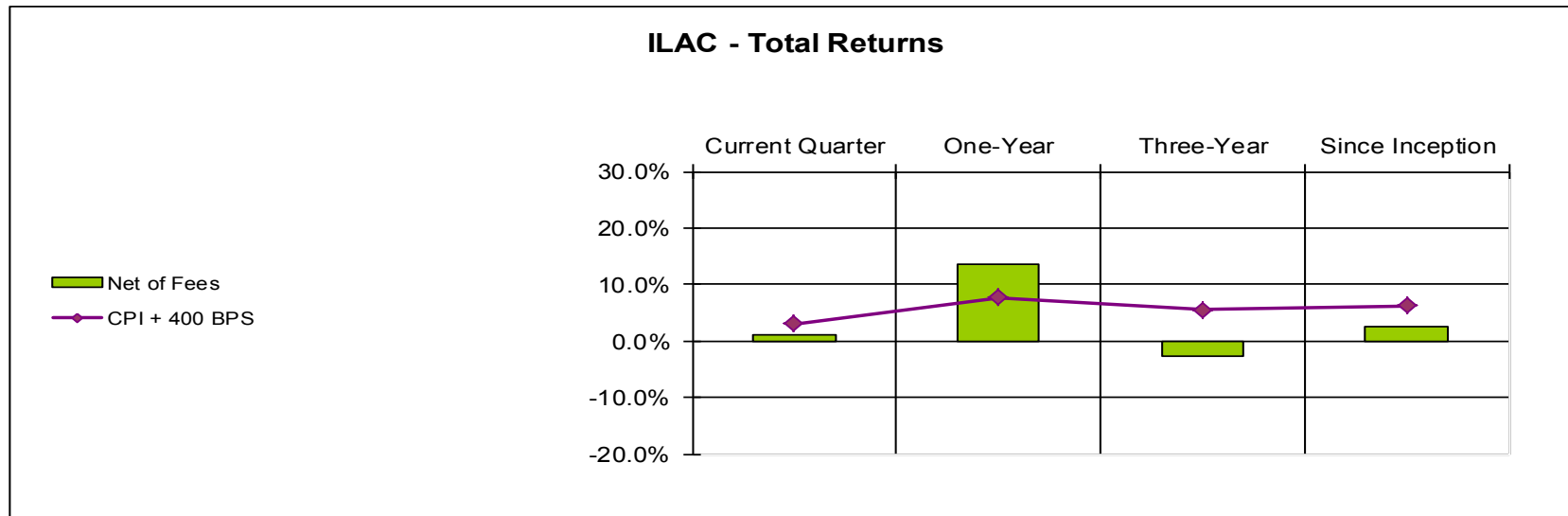
**Comparison to Real Rate of Return Benchmark** — Both the Total Real Estate Portfolio and the Core Portfolio exceeded the 5% real rate of return benchmark for the one-year period. Policy dictates that CalPERS after fee real rate of return should reach 5% for the Core Portfolio and exceed 5% for the Value Added and Opportunistic Portfolios. All real rates of returns are shown on the chart Real Estate Policy Performance Objective Real Rate of Return (RRR) After Fee (Refer to Appendix for CPI index and Real Rate of Return calculation.)

## Quarterly Reports

### Inflation Linked Asset Quarterly Performance Report:

#### Total Inflation Linked Asset Class (as of June 30, 2011)

Net Assets at Fair Market Value	\$8,077,229,336			
	Current Quarter	One-Year	Three-Year	Since Inception
<b>Total</b>				
Net of Fees	1.1%	13.6%	-2.8%	2.6%
<b>Benchmark</b>				
CPI + 400 BPS	3.1%	7.7%	5.5%	6.3%
Difference Between Total ILAC Net of Fees and CPI + 400 BPS*	-2.0%	5.9%	-8.3%	-3.7%



\* Percentage totals may not foot due to rounding.

## Investment Transactions

---

Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases (Page 42)
- Sales (Page 43)
- Currency Hedge Portfolio Summary (Page 44)
- Currency Hedge Portfolio Transactions (Page 44)

### **Investment Transaction Information: (full reporting is available in the supplemental reporting document)**

- Domestic Fixed Income Transactions
- International Fixed Income Transactions
- Domestic Equity Transactions
- International Equity Transactions
- Real Estate Investment Trust (REIT) Transactions
- AIM Program Transactions
  - Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Real Estate Equity Transactions
  - Summary Listing of Investments and Redemptions
- Real Estate Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Transactions
  - Summary Listing of Investments and Redemptions
    - No Items to Report
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Dispositions Summaries
    - No items to report
  - Acquisitions Summaries
    - No items to report
- Inflation Linked Assets Transactions
  - Summary Listing of Investments and Redemptions
- Inflation Linked Assets Items Completed Under Delegation of Authority
  - Investment Summaries
    - No Items to Report



## Investment Transactions

---

### **Investment Transaction Information (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- Corporate Governance Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - No items to report
- Manager Development Program – Private Markets Transactions
  - Summary Listing of Investments and Redemptions
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases: \$6,786.8 million notional
    - Futures sales: \$7,019.8 million notional
    - Swaps: \$0.0 million notional

## Portfolio Transactions Summary

---

### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 2011

#### PURCHASES

	<u>COST</u>	<u>%OF PURCHASES</u>
<b><u>EQUITIES:</u></b>		
Domestic	\$1,236.6	6.47%
International	<u>\$1,419.3</u>	<u>7.42%</u>
Total	\$2,655.9	13.89%
<b><u>FIXED INCOME:</u></b>		
Domestic	\$14,060.3	73.53%
International	<u>\$1,725.9</u>	<u>9.03%</u>
Total	\$15,786.2	82.56%
<b><u>ALTERNATIVE INVESTMENTS:</u></b>		
Partnership Component	\$337.8	1.77%
<b><u>REAL ESTATE:</u></b>		
Real Estate Equity	\$241.2	1.26%
<b><u>INFLATION LINKED ASSETS:</u></b>		
Inflation Linked	\$100.2	0.52%
<b>TOTAL PURCHASES:</b>	<u><u>\$19,121.3</u></u>	<u><u>100%</u></u>

## Portfolio Transactions Summary

---

### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

June 2011

#### SALES

	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ (LOSS)</u>
<b><u>EQUITIES:</u></b>			
Domestic	\$714.7	\$804.9	\$90.2
International	<u>\$873.0</u>	<u>\$941.9</u>	<u>\$68.9</u>
Total	\$1,587.7	\$1,746.8	159.1
<b><u>FIXED INCOME:</u></b>			
Domestic	\$12,776.3	\$12,848.0	\$71.7
International	<u>\$430.7</u>	<u>\$447.1</u>	<u>\$16.4</u>
Total	\$13,207.0	\$13,295.1	\$88.1
<b><u>ALTERNATIVE INVESTMENTS:</u></b>			
Partnership Component	\$1,346.8	\$1,346.8	\$0.0
<b><u>REAL ESTATE:</u></b>			
Real Estate Equity	\$472.6	\$477.6	\$5.0
<b><u>INFLATION LINKED ASSETS:</u></b>			
Inflation Linked	\$95.9	\$109.1	\$13.3
<b>TOTAL SALES:</b>	<u><u>\$16,710.0</u></u>	<u><u>\$16,975.5</u></u>	<u><u>\$265.5</u></u>

## Portfolio Transactions Summary

---

### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

June 2011

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$7,782.7	\$7,784.9
Total FX Sold	\$16,474.3	\$16,588.8

### CURRENCY OPTIONS

Currency Puts	(\$46.1)	(\$46.1)
---------------	----------	----------

"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

June 2011

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$7,244.7
<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$8,428.6

## Affiliate Funds Reports

State Street Bank has compiled the following Affiliate Funds Performance Reports for the periods ending June 30 2011. [\(full reporting is available in the supplemental reporting document\)](#)

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Period Ending: Jun 30, 2011

### Plan Performance Summary Gross of Manager Fees



#### Affiliate Funds - Plan Comparison

	MKT VAL \$(000's)	1 Month	Quarterly	FYTD	CYTD	1 Year	3 Year	5 Year	10 Year
CALPERS CERBT FUND <i>CERBT POLICY INDEX</i>	1,845,735	-1.44 -1.38	1.28 1.33	24.96 24.87	5.35 5.28	24.96 24.87	3.68 3.82		
CALPERS HEALTH CARE BOND FUND <i>BC AGGREGATE (DAILY)</i>	454,468	-0.39 -0.29	2.14 2.29	5.02 3.90	3.02 2.72	5.02 3.90	6.67 6.46	6.52	5.74
COMP-JUDGES RETIREMENT FUND <i>91 DAY TREASURY BILL ( DAILY)</i>	48,853	0.01 0.01	0.05 0.04	0.26 0.16	0.11 0.09	0.26 0.16	0.63 0.42	2.27 2.00	2.27 2.13
JRS II TOTAL PLAN <i>CAL JRS II POLICY INDEX</i>	563,250	-1.40 -1.30	1.55 1.67	21.75 21.49	5.14 5.02	21.75 21.49	4.47 4.60	4.70 4.80	5.28 5.27
LRS TOTAL PLAN <i>CAL LRS POLICY INDEX (DAILY)</i>	123,209	-1.02 -0.87	1.91 2.04	15.90 15.25	4.91 4.72	15.90 15.25	6.53 5.97	6.37 6.08	5.78 5.94
LTC TOTAL PLAN <i>CAL LONG TERM CARE POLICY INDEX (DAILY)</i>	3,276,083	-1.16 -1.07	1.61 1.66	20.32 19.78	5.23 5.05	20.32 19.78	5.56 5.41	5.61 5.51	5.44 5.29
COMP-CONTINGENCY RESERVE FUND <i>91 DAY TREASURY BILL ( DAILY)</i>	6,109	0.01 0.01	0.05 0.04	0.25 0.16	0.11 0.09	0.25 0.16	0.63 0.42	2.27 2.00	2.27 2.13

## Affiliate Funds Reports

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
Period Ending: Jun 30, 2011

### Plan Performance Summary Net of Manager Fees



#### Affiliate Funds - Plan Comparison

	MKT VAL \$(000's)	1 Month	Quarterly	FYTD	CYTD	1 Year	3 Year	5 Year	10 Year
CALPERS CERBT FUND <i>CERBT POLICY INDEX</i>	1,845,735	-1.44 -1.38	1.28 1.33	24.96 24.87	5.35 5.28	24.96 24.87	3.68 3.82		
CALPERS HEALTH CARE BOND FUND <i>BC AGGREGATE (DAILY)</i>	454,468	-0.39 -0.29	2.14 2.29	5.02 3.90	3.02 2.72	5.02 3.90	6.67 6.46	6.52	5.74
COMP-JUDGES RETIREMENT FUND <i>91 DAY TREASURY BILL ( DAILY)</i>	48,853	0.01 0.01	0.05 0.04	0.26 0.16	0.11 0.09	0.26 0.16	0.63 0.42	2.27 2.00	2.27 2.13
JRS II TOTAL PLAN <i>CAL JRS II POLICY INDEX</i>	563,250	-1.40 -1.30	1.55 1.67	21.75 21.49	5.14 5.02	21.75 21.49	4.47 4.60	4.70 4.80	5.28 5.27
LRS TOTAL PLAN <i>CAL LRS POLICY INDEX (DAILY)</i>	123,209	-1.02 -0.87	1.91 2.04	15.90 15.25	4.91 4.72	15.90 15.25	6.53 5.97	6.37 6.08	5.78 5.94
LTC TOTAL PLAN <i>CAL LONG TERM CARE POLICY INDEX (DAILY)</i>	3,276,083	-1.16 -1.07	1.61 1.66	20.32 19.78	5.23 5.05	20.32 19.78	5.56 5.41	5.61 5.51	5.44 5.29
COMP-CONTINGENCY RESERVE FUND <i>91 DAY TREASURY BILL ( DAILY)</i>	6,109	0.01 0.01	0.05 0.04	0.25 0.16	0.11 0.09	0.25 0.16	0.63 0.42	2.27 2.00	2.27 2.13